

**THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF REVENUE
DIVISION OF LOCAL SERVICES**

BUREAU OF ACCOUNTS
INFORMATIONAL GUIDELINE RELEASE No. **82-01 "Offset Receipts"**

Offset Receipts

During the 1981 session, the general court enacted Chapter 339. This was signed into law by the Governor on July 14, 1981. The subject matter of this enactment was analyzed in our Informational Guideline Release (IGR) No. #81-04.

As we enter a second year under Proposition 2½ as well as the first full year of applicability for the provisions of Chapter 339, now contained within Chapter 44, Section 53E of our general laws, there seems to be some renewed interest in the use of these so-called "offset receipts."

This IGR deals with the technical implementation issues. It assumes that the reader has familiarized him/herself with the provisions of the act. The IGR further assumes that the local community has taken necessary steps to accept the provisions of Chapter 44, Section 53E, as required.

The balance of this release will deal with two issues--

1. How a community obtains approval for use of estimated receipts which exceed the actual receipts or expected receipts of the previous fiscal year. (Note-- advanced approval is not necessary if estimated receipts are the same or less then the previous year.)
2. The typical accounting entries that will record the transactions related to these receipts and their related expenditures.

Approval

Chapter 44, Section 53E states, in part, that "...the use of such fees shall be limited to an amount not to exceed the actual amounts received during the previous fiscal year or such other estimated amount as may be approved, in advance of appropriation, by the Commissioner of Revenue or his (her) designee, and which is based upon adequate documented material supporting such estimated amounts. (Underlines added for emphasis)

There are two issues that need some definition. First, there is a requirement of advanced approval if the estimated receipts to be allocated exceed the previous years. This approval must be obtained from the Director of Accounts who has been designated by the Commissioner of Revenue for this function.

Such a request for approval should be presented by the City Auditor or Town Accountant on the "separate Schedule A-1" which was included in the 1982 tax rate recapitulation package. (See attached sample of this form) Approval will be noted at the bottom of the form if the submission is adequately supported. An approved form will be returned to the Auditor or Accountant (or other fiscal officer performing similar duties) to be used by the Assessors when they set the tax rate.

Since the approval is to be obtained prior to the appropriation, any potential user of this legislation should arrange to obtain such approval before the town meeting, city council or other local appropriating body is asked to vote on the related budget(s).

The second issue relates to “adequate documented material.” The intent is that there be sound, logical supporting substantiation behind any increases. Each situation will be somewhat unique, however, there are a few examples that might assist in application of this requirement.

Example A -- Increase resulting from rate increases.

	<u>This year</u>	<u>Last year</u>
Number of users	100	100
Rates	\$1.00	\$.50
Estimated receipts	\$100	\$50

A 50¢ per use rate increase was approved by the Board of Trustees at their meeting of September xx, 19xx. A certified copy of the vote is attached.

Example B--New service or function.

The Board of Selectmen adopted the policy of charging for _____ this year. A certified copy of their vote is attached.

We anticipate collections for 19xx to amount to _____ based upon the following:

Prior years utilization	19x-1
	19x-2
	19x-3

Estimated utilization this year 19xx

Approved charges, (fees) (fines) per unit _____

This is further supported through the experience of xyz community which has been charging for this service, (function) (etc.) since _____.

Requests for approval that are not adequately supported will be denied.

Accounting Entries

The typical entries necessary to record the transactions related to the use of- "offset receipts" are illustrated in Exhibit B attached. (Exhibit B is not supplied, contact Bureau of Accounts for copies of Exhibit B) There are four (4) illustrative examples included in the exhibit. They represent:

- I. A community that receives lesser receipts than originally estimated while actual expenditures match their related appropriations.
- II. A community that receives greater receipts than originally estimated while actual expenditures match their related appropriation.
- III. A community that receives lesser receipts than originally estimated and actual expenditures are less than their related appropriation.

IV. A community that actually receives greater receipts than originally estimated and actual expenditures are less than their related appropriations.

The entries are fairly self explanatory. It is obvious that entries #2 and #3 represent the aggregate of a number of entries that are automatically made as a result of posting each treasurer's schedule of cash receipts and each treasury warrant.

You should note the following:

A. There are two new accounts introduced. They are:

1. Offset receipts control--19x3--to be used as a control account during the year. This will result in a zero (0) balance after year end entries are posted.
2. Amounts to be raised--19x4--to be used to record requirements of Chapter 44, Section 53E related to deficiency in estimated "offset receipts" of previous year. This amount will be charged against year-end surplus revenue (excess and deficiency) when the Bureau computes your "free cash."

B. The entries do not reflect cash receipts and cash disbursements timing problems. It is conceivable that the general fund will need to advance fund certain expenditures while awaiting certain allocated receipts. If this is the case we recommend the creation of a due from "offset receipts" account which could serve as a control during the year.

C. There are two distinct controls which need to be separate. There is the regular appropriation control. Expenses may not exceed the appropriation even if receipts exceed their estimates. Furthermore, there is an offset receipt cash account control. Expenditures can be paid only to the extent of (a) the maximum allocated by the local appropriation body and (b) the extent of special cash available.

Conclusion

There is one final requirement in Chapter 44, Section 53E that should be noted. The board, commission or other entity responsible for the operations of the department that has been authorized to use these "offset receipts" must **file**, within forty-five (45) days after the close of the fiscal year, a schedule of cash receipts and disbursements. This report must go to the mayor and the city council or the board of selectmen or the town manager in a town. A copy of the report must be filed with the Director of Accounts.

For more information:
Director of Accounts.
P.O. Box 9655
Boston, MA 02114-9655
617-626-2300

BUREAU OF ACCOUNTS
SCHEDULE A-1 / OFFSET RECEIPTS for

CITY/TOWN

	(a) Actual Receipts Fiscal 1995	(b) Estimated Receipts* Fiscal 1996
	\$ _____	\$ _____
1. Public Service.Water	_____	_____
2.Sewer	_____	_____
3.Other	_____	_____
4. Hospital.	_____	_____
5. Nursing Home.	_____	_____
6. Recreation Department.	_____	_____
7. Airport.	_____	_____
8.	_____	_____
9.	_____	_____
10. TOTAL	=====	=====

I hereby certify that the actual receipts from the preceding fiscal year as shown in column (a) are,
to the best of my knowledge and belief, true, correct and complete.

Date

Accounting Officer

We hereby attest that the receipts hereinbefore itemized have not been included in any other
deductions from the total amount to be raised as shown in either Schedule A or Column (b) of
Schedule B.

Date

B O A R D O F A S S E S S O R S

* If Column (b) exceeds column (a) for any item, written permission by the Director of Accounts
prior to appropriation is required.

Approved _____

Director of Accounts

Date

The Division of Local Services is responsible for oversight of and assistance to cities and towns in achieving equitable property taxation and efficient fiscal management.

The Division regularly publishes IGRs (informational Guideline Releases detailing legal and administrative procedures) and the BULLETIN (announcements and useful information) for local officials and others interested in municipal finance.

P.O. Box 9655, Boston, MA 02114-9655 (617) 626-2300
